

Significant Accomplishments of the Social Security Administration's Office of the Inspector General



April 1, 1995, Through September 30, 2000

Mission

To improve Social Security Administration programs and operations and protect them against fraud, waste, and abuse by conducting independent and objective audits, evaluations, and investigations. To provide timely, useful, and reliable information and advice to Administration officials, Congress, and the public.

Vision

By conducting independent and objective audits, investigations, and evaluations, we are agents of positive change striving for continuous improvement in the Social Security Administration's programs, operations, and management.

INTRODUCTION

The Office of the Inspector General (OIG) is required by the *Inspector General Act of 1978* (IG Act), as amended, to:

- Conduct and supervise independent and objective audits and investigations relating to agency programs and operations.
- Promote economy, effectiveness, and efficiency within the agency.
- Prevent and detect fraud, waste, and abuse in agency programs and operations.
- Review and make recommendations regarding existing and proposed legislation and regulations relating to agency programs and operations.
- Keep the agency head and the Congress fully and currently informed of problems in agency programs and operations.
- To ensure objectivity, the IG Act empowers Inspectors General (IG) with:
 - ✓ Independence to determine what reviews to perform.
 - ✓ Access to all information necessary for the reviews.
 - ✓ Authority to publish findings and recommendations based on the reviews.

The Social Security Administration's (SSA) OIG mission is to improve SSA programs and operations and protect them against fraud, waste, and abuse by conducting independent and objective audits, evaluations, and investigations. We provide timely, useful, and reliable information and advice to Administration officials, Congress, and the public. We are agents of positive change striving for continuous improvement in SSA's programs, operations, and management by proactively seeking new ways to prevent and deter fraud, waste, and abuse. We are committed to diversity, innovation, integrity, and public service.

MAJOR EVENTS 1995

On March 31, 1995, SSA became an independent agency. As part of the *Social Security Independence and Program Improvements Act of 1994*, Public Law 103-296, Congress provided SSA with its own statutory IG. Until a new SSA IG could be nominated and confirmed, the Department of Health and Human Services' (HHS) IG, June Gibbs Brown, was appointed to manage her office as well as the newly established SSA OIG. The HHS OIG transferred 259 staff, including 3 senior executive service positions, as well as necessary equipment and funding to create the office.

The mission of the OIG was carried out through a nationwide network of offices comprising the Offices of Audit (OA), Evaluation and Inspections, and Investigations (OI). Staff in the Immediate Office of the OIG supported these three components.

On June 28, 1995, the Commissioner of Social Security delegated to the IG the authority to implement sections 1129 and 1140 of the Social Security Act. Civil Monetary Penalties (CMP) are imposed against individuals and/or entities who misuse SSA symbols and emblems (section 1140), or who make false statements and representations of material facts for use in determining initial or continuing rights to Social Security benefits or payments (section 1129). The first set of rules was published in the Federal Register on November 27, 1995, which provided the nexus to get the program off the ground.

On August 10, 1995, President Clinton nominated David C. Williams to be SSA's first IG. At the time of his nomination, Mr. Williams was serving as the IG of the U.S. Nuclear Regulatory Commission. On December 22, 1995, the Senate confirmed Mr. Williams' nomination. He immediately acted to implement an aggressive hiring program to build the investigative strength of this new OIG. Experienced investigators from other Federal law enforcement agencies became integral members of OI.

CONGRESSIONAL TESTIMONY

No congressional testimony was provided this fiscal year (FY).

FY ACCOMPLISHMENTS

In FY 1995, we received 2,236 complaints from sources both within and outside SSA, opened 844 investigations, and closed 679 cases. We obtained 287 criminal convictions and recovered almost \$3.9 million through fines, judgements, restitution, and recoveries. In addition, \$35 million was saved through implemented recommendations to put funds to better use.

MAJOR EVENTS 1996

During our first year of operation, we conducted a fraud vulnerability review to determine how to best use our limited resources to fight fraud, waste, and abuse in SSA's programs and operations. This review identified areas in SSA's operation that were most vulnerable to fraud. Using this information and our experiences in the first year of operation, we restructured the OIG to build upon its original foundation and bring focus to its operations.

The OIG established the Office of Management Services to provide support to its operations by providing human resources, budget, and a variety of other resource management needs. This office also hosted the November 25, 1996, ribbon cutting ceremony launching the operation of the SSA Fraud Hotline. The Hotline serves as the avenue for reporting allegations of fraud, waste, and abuse for SSA employees; other Federal, State, and local government agencies; and members of the general public.

In addition, during 1996, the Office of Evaluations and Inspections merged with OA to create a consolidated and nationwide capability to conduct both formal audits and evaluations. Combining the knowledge, skills, and abilities of our auditors and evaluators would enable the OIG to focus on identifying and recommending ways to prevent and minimize program fraud and inefficiency, rather than detecting problems after they occur. After this consolidation, we moved away from the traditional "regional" structure to "issue" area teams that provided centers of expertise in each of SSA's program areas. This resulted in the following issue area teams within OA:

- Enumeration
- Old-Age and Survivors Insurance Program
- Earnings
- Supplemental Security Income Disability and Disability Insurance Programs
- Field Office Operations
- Office of Hearings and Appeals
- State Disability Determination Services
- Program Service Center/Teleservice Center Operations
- Financial Management
- Systems
- General Management
- Payment Accuracy
- Performance Monitoring

We also created another organization in 1996, the Office of the Counsel to the Inspector General (OCIG), whose primary purpose was to provide legal advice and counsel to the IG and senior staff on statutes, regulations, legislation, and policy

directives governing the administration of SSA's programs. This office was also established to provide legal advice pertaining to investigative procedures and techniques, as well as conclusions drawn from audit and investigative activities. This office also assumed responsibility for administering the delegated CMP program for OIG. OCIG worked diligently to publish final rules and regulations to build the initial infrastructure to launch this program. Two sets of rules were published in the Federal Register on April 24, 1996, and December 13, 1996.

With SSA, we established a unique partnership through the National and Regional Anti-Fraud Committees to jointly combine our efforts and forces in a seamless attack on fraud, waste, and abuse as part of the Agency's "Zero Tolerance for Fraud" campaign. The National committee, comprised of SSA's Senior Executive Staff, is co-chaired by the IG and the Deputy Commissioner for Finance, Assessment and Management. Our Special Agents-in-Charge co-chair the Regional Anti-Fraud Committees in their respective field divisions with SSA's Regional Commissioners. These committees bring together OIG's investigative experience and SSA's program expertise to identify and prevent fraud in SSA's program.

In 1996, OA also initiated the Payment Accuracy Task Force, which was another cooperative effort with SSA that focuses on improving the Agency's processes to improve the accuracy of its payments. Even small percentages of error represent large costs to the Agency, beneficiaries, and taxpayers and through cooperative efforts such as this, we aimed to set a high standard for Government excellence at SSA.

We also established the Joint Field Operations Program, staffed with highly experienced investigators who drew on their experience and established contacts to focus on significant fraud and enumeration violations against the SSA. OI also established a Strategic Enforcement Division to conduct studies of emerging criminal trends and looks for the best ways SSA and OIG can prevent and detect fraud.

CONGRESSIONAL TESTIMONY

This year our IG testified on the following occasion.

- September 12, 1996 – Hearing on Issues Regarding the Social Security Administration's New Office of the Inspector General before the House Committee on Ways and Means, Social Security Subcommittee

FY ACCOMPLISHMENTS

In FY 1996, we received 4,106 complaints, opened 1,354 investigations, and closed 1,042 cases. We obtained 570 criminal convictions and recovered almost \$22.8 million through fines, judgements, restitution, and recoveries. In addition, over \$100 million was saved through implemented recommendations to put funds to better use.

MAJOR EVENTS 1997

In 1997, the IG established the Office of Operations to serve as the focal point for OIG's strategic planning, Congressional liaison, and public affairs activities. OI added the Enforcement Operations Division at Headquarters to oversee the day-to-day field activities and created the Special Inquiries Division to handle sensitive investigations into allegations of wrongdoing by senior SSA officials.

OI implemented an initiative to ensure readiness to combat "electronic crimes." We created the Electronic Crimes Team to institutionalize investigative capability to conduct computer forensic examinations, recover evidence in an electronic environment, and to provide expertise and training to our investigators across the nation. As SSA began to explore the expansion of on-line access to services, we needed to ensure that OIG was prepared to identify and address exploitation of SSA's systems and electronic services.

The National Anti-Fraud Committee held its first National Anti-Fraud Conference from September 8 through 12 at SSA Headquarters. The theme of the conference was "*New Approaches in a New Environment.*" Over 450 SSA employees from central office and the field attended the conference, as well as other interested parties such as State Disability Determination Services (DDS) units and the General Accounting Office. The conference featured discussions on new investigative approaches and technology and systems issues. Acting Commissioner John Callahan, Acting Principal Deputy Commissioner John Dyer, and Inspector General David Williams participated in the conference and spoke to the attendees.

CONGRESSIONAL TESTIMONY

No congressional testimony was provided this FY.

FY ACCOMPLISHMENTS

By the end of FY 1997, we received 18,034 complaints and our investigative accomplishments escalated to include 5,455 cases opened, 2,157 investigations closed, and 2,507 criminal convictions. These investigative efforts accounted for over \$64 million in saved and recovered funds. In addition, over \$219 million was saved through implemented recommendations to put funds to better use. In September 1997, OCIG negotiated its first CMP settlement for \$24,000.

MAJOR EVENTS 1998

This year marked the start of large-scale investigative projects designed to address major problems facing SSA in the administration of its programs. Three of the most notable operations that had major impact on OIG's successes were Operation Contender, Operation Border Vigil, and Operation Water Witch.

Under **Operation Contender**, we created five pilot projects under the concept of Cooperative Disability Investigations (CDI) teams. Under the pilot, we joined with SSA's Office of Disability to establish five CDI teams in Georgia, Louisiana, Illinois, New York, and California. These teams were composed of OIG Special Agents and State law enforcement officers, as well as SSA and State DDS claims professionals. The DDS refers suspicious cases to the team, which in turn collects evidence to verify or refute the suspicion. If the team confirms that the claim is fraudulent, the DDS is notified and it either denies the application or stops benefits.

Operation Border Vigil's purpose was to focus on a major vulnerability in SSA-administered programs. We initiated a variety of projects under this operation across the country to identify Supplemental Security Income (SSI) recipients receiving payments based on fraudulent statements regarding residency as well as other eligibility factors such as citizenship, alien residency status, age, income, and resources. We also participated in International Integrity Projects with SSA's Office of International Operation to define problems inherent to the distribution of benefits to individuals living in foreign countries and to develop strategies that address the issues.

Operation Water Witch was initiated to implement provisions of the *Personal Responsibility and Work Opportunity Reconciliation Act of 1996* which made individuals ineligible to receive SSI during any month in which the recipient is fleeing to avoid prosecution for a felony; fleeing to avoid custody or confinement after conviction for a felony; or violating a condition of probation or parole imposed under Federal or State law. Through localized and manual processes, our Special Agents identify SSI recipients who are fugitives, they notify the warrant issuing agency, and notify SSA that the individual is ineligible for benefits. SSA stops payments to these individuals and determines if the individual was overpaid and initiates collection activities.

Recognizing that this operation would be more effective and efficient through the use of computer matching, we began negotiating with the Federal Bureau of Investigation (FBI), the U.S. Marshals Service, and the National Crime Information Center to establish computer-matching agreements. Also, by July 1, 1998, we had formalized investigative plans in all 50 States to establish points of contact and define mechanisms through which SSA and the State could exchange computer-matching data.

Organizationally, we abolished the Office of Operations, folded its functions into the Office of Management Services, and established a new Office of External Affairs. The Office of External Affairs assumed responsibility for the OIG's congressional and public affairs program, newly established quality assurance function, as well as the conduct of OIG employee investigations. The Quality Assurance Team performs internal reviews to ensure that OIG offices hold themselves to the same rigorous standards that we expect from SSA. The Public Affairs Team communicates OIG's planned and current activities and their results to the Commissioner and Congress as well as other entities.

In addition, in 1998, the SSA Fraud Hotline was moved from the Office of Management Services to OI under a new division called the Allegation Management Division. This move allowed our investigators to more closely manage the incoming allegations and apply their investigative expertise to gain more efficiency in the Hotline operation. The Hotline had processed over 30,000 to benefit from our investigative expertise and become the focal point for investigative inquiries for a variety of special projects. In FY 1998, the Hotline staff processed nearly 30,000 allegations, which was a significant increase from the 4,106 allegations in FY 1996. To keep pace with the growing number of allegations received, the Principal Deputy Commissioner agreed to increase the SSA Fraud Hotline's staffing levels in the next year.

About mid-year, there were significant changes in the top leadership of the OIG. On July 30, 1998, David C. Williams was officially nominated to be the IG at the Department of the Treasury. Immediately upon his departure, the Deputy IG, James G. Huse, Jr., became the Acting IG.

CONGRESSIONAL TESTIMONY

This year our IG testified on the following occasions:

- March 12, 1998 – Statement for the Record on the Social Security Administration as an Independent Agency provided to the House Committee on Ways and Means, Social Security Subcommittee
- April 17, 1998 – Hearing on the Results of the Chief Financial Officers Audit before the House Committee on Government Reform and Oversight, Subcommittee on Government Management, Information and Technology
- July 22, 1998 – Statement for the Record on Reviews of the Use of Official Time and Partnership Activities at the Social Security Administration provided to the House Committee on Ways and Means, Social Security Subcommittee
- September 23, 1998 – Statement for the Record on Systems Security Weaknesses provided to the Senate Committee on Governmental Affairs

FY ACCOMPLISHMENTS

In FY 1998, we received 31,090 complaints, opened 6,291 investigations, and closed 5,448 cases. We obtained 2,762 criminal convictions and recovered over \$94 million through fines, judgements, restitution, and recoveries. In addition, over \$2 billion was saved through implemented recommendations to put funds to better use.

MAJOR EVENTS 1999

This year marked several major changes in OIG's organization. OI reorganized its Headquarters divisions, abolished the Special Inquiries Division, and created the Manpower and Administration Division to provide necessary resource, administrative, and technical guidance to its field divisions. Also, in response to the Presidential Decision Directives 62 (Terrorism), 63 (Critical Infrastructure Protection), and 67 (Continuity of Government), we established the Critical Infrastructure Division (CID) within OI. CID works with SSA's System Security Officers and representatives from SSA's National Computer Center to define and administer an intrusion response program that includes OIG notification and investigation, if warranted. This division also assumed responsibility for operating the Electronic Crimes Team, which was created in 1997 to provide our auditors and investigators with state-of-the-art systems expertise and assistance.

We also merged the Office of External Affairs and the Office of Management Services to create the Office of Executive Operations. This component is responsible for a broad range of activities including communicating the results of our work with our external stakeholders and providing the internal administrative support for all OIG activities. This office supports the budget, human resources, systems, public affairs, and quality assurance infrastructure for the entire OIG.

In March 1999, we held the Grand Opening for the newly expanded Fraud Hotline, which increased in staffing four times its size in 1998. We also relocated the Hotline to a new state-of-the-art facility and in FY 1999, the Hotline processed nearly 75,000 allegations representing a 150 percent increase in productivity from FY 1998.

On July 28, 1999, President Clinton submitted James G. Huse, Jr.'s, nomination to the Senate to become the second IG of SSA. On November 10, 1999, the Senate confirmed Mr. Huse's nomination and on November 22, 1999, in a ceremony in Baltimore, Maryland, Mr. Huse was sworn in to office. Mr. Huse originally came to SSA as the Assistant IG for Investigations after serving a 25 year career as a Special Agent with the U.S. Secret Service and over 5 years as a commissioned officer in the U.S. Army with two combat tours in the former Republic of South Vietnam.

Late in 1998, the Congress passed the *Identity Theft and Assumption Deterrence Act of 1998*, Public Law 105-318. This Act, commonly called the Identity Theft Act, acknowledges that the Social Security number (SSN) is a means of identifying an individual. This legislation empowers law enforcement authorities to arrest, prosecute, and convict individuals who fraudulently use another person's SSN to create a false identity. This law also charges the Federal Trade Commission (FTC) with establishing a centralized identity theft complaint data base and providing informational material on

identity theft to complainants. In addition, the FTC may refer identity theft allegations to appropriate Federal, State, or local law enforcement agencies, as well as to the three major credit bureaus. Since SSN misuse accounts for over half of the complaints to our Fraud Hotline, we aggressively began partnering with other Federal and State organizations to reduce the incidents and impact of these crimes and maximize our resources. To be proactive in addressing identity theft, we:

- Worked with the FTC to develop governmentwide educational material.
- Reviewed and provided input on FTC's proposed identity theft complaint form.
- Became a member of the Identity Theft Subcommittee, of the Law Enforcement Initiatives Committee, of the Attorney General's Council on White-Collar Crime at the Department of Justice whose purpose is to gauge the extent of the identity theft problem and determine if other enforcement initiatives or strategies are needed.
- Published an article entitled "Social Security Number Misuse and Identity Theft" for the FTC's Summer 1999 issue of Fraudbusters! Magazine.
- Met with U.S. Sentencing Commission representatives to discuss sentencing guidelines for individuals convicted of identity theft.
- Launched SSN misuse pilot projects in five cities across the Nation. Our investigators provide the lead in working with various Federal and State agencies along with the Assistant U.S. Attorneys and State Prosecutors on SSN misuse allegations referred to OIG.
- Developed a referral system that will allow for the automated transfer of data between the FTC and our Hotline.

OCIG was also instrumental in the prosecution of individuals guilty of violating section 1140 of the Social Security Act. The Federal Records Service Corporation (FRSC) targeted new brides and new mothers with deceptive advertisements. FRSC sent direct mail solicitations to consumers that appeared to be from, or endorsed by, SSA. For a \$15 service fee they offered to process SSA's application forms for name changes and newborns' SSNs. Yet, SSA provides assistance in filling out these forms free of charge. OCIG collaborated with our investigators, SSA's Office of the General Counsel, and the Department of Justice to obtain a preliminary injunction, and negotiate a favorable settlement of this case. Under the terms of the settlement, FRSC was dissolved and the first two defendants were ordered to pay penalties of \$845,000 to the Social Security Trust Fund. Overall, all the defendants agreed to pay over \$1 million total to the Social Security Trust Fund.

Our investigative projects resulted in significant statistical accomplishments, saving SSA an estimated \$47 million dollars. Because of the success and preventive nature of the CDI teams in the five pilot locations, SSA and our office added additional teams in Missouri, Oregon, and Texas. Our Fugitive Felon Project, under former Operation Water Witch, experienced a 287 percent increase in the number of fugitives identified after implementing one electronic data match with one State.

CONGRESSIONAL TESTIMONY

This year our IG testified on the following occasions:

- February 3, 1999 – Hearing on Provisions for Supplemental Security Income and Other Provisions before the House Committee on Ways and Means, Subcommittee on Human Resources
- April 28, 1999 – Statement for the Record on FY 2000 Appropriation Language provided to the House Committee on Appropriations, Subcommittee on Labor, Health and Human Services, and Education
- July 20, 1999 – Statement for the Record on Deceptive Solicitations provided to the Senate Committee on Governmental Affairs, Permanent Subcommittee on Investigations
- September 15, 1999 – Confirmation Hearing for James G. Huse, Jr., to be Inspector General of Social Security before the Senate Committee on Finance

FY ACCOMPLISHMENTS

In FY 1999, we received 74,360 complaints, opened 9,238 investigations, and closed 7,308 cases. We obtained 3,139 criminal convictions and recovered over \$213 million through fines, judgements, restitution, and recoveries. In addition, approximately \$270 million was saved through implemented recommendations to put funds to better use.

MAJOR EVENTS 2000

We had an uneventful transition into the new millennium, primarily due to the diligence of SSA's systems staff, our own CID staff and systems support staff. The year began with a congressional and media focus on the issue of representative payees, resulting from one of our recent investigations involving a representative payee serving over 140 disabled individuals who had embezzled over \$300,000 in a 4-year period. To assist the Agency in addressing this area, we committed our auditors to performing independent on-site audits of a limited number of representative payees. These audits will enable the Agency to identify problem areas that need to be addressed to ensure that beneficiaries' benefits are being managed in a sound fiduciary manner. We also opened three more CDI teams in New Jersey, Virginia, and Florida. By the end of FY 2000, 11 teams will be operational.

We continued our activities in the SSN misuse and identity theft area. We need to ensure that our office is equipped with the necessary tools and resources to address the flood of complaints we expect to receive through our Hotline and from the FTC. We participated in two key events that brought the private and public sectors together to discuss efforts to address identity theft. The first of these events was the Canadian Identity Fraud Workshop, which was held in Toronto in February 2000. We gave a presentation to Government representatives from Canada, Australia, and the United Kingdom on identity theft in the United States. We also participated in round table discussions with representatives from other Nations to identify common problems and possible remedies.

The second event, the National Identity Theft Summit held in March 2000, was hosted by the Department of the Treasury in Washington, D.C., and incorporated five panels to discuss victim issues, prevention measures, and short-term remedies for both the private sector and governmental agencies. We co-coordinated the prevention panel, which our IG moderated. This panel was designed to give the attendees ideas and suggestions on how to prevent identity theft.

To further our fight, we proposed to Congress and SSA that they expand the CMP program to include SSN misuse and identity theft penalties for those cases that are not accepted by the U.S. Attorney's Office for prosecution. We also detailed a lawyer to the Department of Justice to assist in the prosecution of SSN misuse and identity theft cases.

CONGRESSIONAL TESTIMONY

This year our IG testified on the following occasions:

- March 7, 2000 – Hearing on Identity Theft before the Senate Committee on the Judiciary, Subcommittee on Technology, Terrorism, and Government Information
- March 28, 2000 – Hearing on Fiscal Year 2001 Budget before the House Committee on Appropriations, Subcommittee on Labor, Health and Human Services, and Education
- March 30, 2000 – Statement for the Record on Social Security Program Integrity Issues provided to the House Committee on Ways and Means, Social Security Subcommittee
- May 2, 2000 – Hearing on the Organizational Representative Payee Program before the Senate Special Committee on Aging
- May 4, 2000 – Statement for the Record on the Social Security Representative Payee Program provided to the House Committee on Ways and Means, Social Security Subcommittee
- May 9, 2000 – Statement for the Record on Social Security Number Misuse provided to the House Committee on Ways and Means, Social Security Subcommittee
- May 19, 2000 – Statement for the Record on the Sale of False Identification Documents Via the Internet provided to the Senate Committee on Governmental Affairs, Permanent Subcommittee of Investigations
- July 12, 2000 – Hearing on Social Security Numbers and Identity Theft before the Senate Committee on the Judiciary, Subcommittee on Technology, Terrorism, and Government Information
- August 30, 2000 – Hearing on the Emergence of Identity Theft as a Law Enforcement Issue in California before the Senate Committee on the Judiciary, Subcommittee on Technology, Terrorism, and Government Information
- September 12, 2000 – Hearing on the Implementation of Drug Addiction and Alcoholism Provision of Public Law 104-121 before the House Committee on the Budget

FY ACCOMPLISHMENTS

In FY 2000, we received 92,847 complaints, opened 8,262 investigations, and closed 8,051 cases. We obtained 2,604 criminal convictions and recovered over \$282 million through fines, judgements, restitution, and recoveries. In addition, over \$236 million was saved through implemented recommendations to put funds to better use.

KEY INITIATIVES

Our components have partnered in a number of initiatives to capitalize on the skills of our staff and to make the most of our limited resources. We firmly believe that a constant flow of information among our auditors, investigators, and lawyers is critical to the success of our mission—to improve SSA's programs and operations and protect them against fraud, waste, and abuse. We also work with other Federal and State agencies in those instances where appropriate.

EMPLOYEE FRAUD

Although the vast majority of SSA's 65,000 employees are trustworthy and dedicated civil servants, a few corrupt employees can compromise the integrity of the Social Security system and undermine the public's confidence in the Agency's programs. Because of this, the detection of employee fraud is an investigative priority.

OIG provided the lead in a cooperative effort with various financial institutions to uncover a scheme where SSA employees provide private information from SSA's data bases to outside individuals. These individuals use this information to activate stolen credit cards. Since the project's inception in 1998, through September 30, 2000, we have identified 15 SSA employees involved in these activities and \$4.8 million in fraud loss to financial institutions.

SERVICE PROVIDER FRAUD

Representative Payee Issues

SSA appoints a representative payee for individuals who are unable to manage their own funds. While the vast majorities fulfill their roles, there are some representative payees who misuse the benefits of their clients. Our office is committed to detecting and punishing individuals who commit this type of fraud, as well as identifying ways for SSA to improve its oversight of representative payees.

Our audit work has identified two major challenges facing SSA concerning the Representative Payee Program—the screening process to select representative payees and the monitoring of representative payees.

Screening and Selection of Representative Payees

When SSA determines a beneficiary is "incapable of" or "prohibited from" managing their benefits, SSA searches for a suitable representative payee. SSA uses a preference

list to initiate a search for a suitable representative payee. For the most part, SSA prefers to appoint relatives as representative payees over friends or other third parties. SSA interviews and “investigates” prospective representative payees to determine their suitability. This usually consists of a limited review of documents supplied by the prospective representative payee. It is not a formal investigation, but rather a means to conduct an SSA records verification. Some of the documents that SSA reviews for individual applicants include:

- Drivers licenses;
- State identification cards;
- Credit cards; or
- Bank books/check books

However, SSA generally does not verify the accuracy of the information presented, unless it has a reason to question the applicant's suitability. SSA does verify the accuracy of the payee's income by comparing the information on the representative payee application to SSA's records. SSA also verifies that the prospective representative payee has not been convicted of a felony against Social Security programs.

For organizational payees, SSA verifies the Employer Identification Number (EIN) of the representative payee by comparing the EIN on the representative payee application to the EIN on SSA's records. SSA does not perform credit or security background checks on prospective individual or organizational payees to determine if they have financial problems, bad credit, or if individuals or employees of the organization were convicted of any other felony.

The selection process, specifically the suitability determination, should be the underpinning of the representative payee program. The emphasis here as with other SSA programs should be fraud prevention. In a March 1997 evaluation report entitled, *Monitoring Representative Payee Performance: Roll-Up Report*, we recommended that SSA conduct a more thorough screening of potential representative payees. As a result, SSA proposed legislation that will require nongovernmental organizational representative payees to be both bonded and licensed; providing that licensing is available in the State. Congress recently introduced this proposal.

Representative Payee Monitoring and Oversight Activities

SSA has safeguards in place to ensure that representative payees do not misuse benefits. One of these safeguards includes requiring an annual accounting report from all representative payees for each individual under their care. Another safeguard is to perform on-site reviews of representative payees.

Annual Accountability Reports

Our December 1996 report entitled, *Monitoring Representative Payee Performance: Nonresponding Payees*, identified several problems with representative payees who did not provide these annual accounting reports. We recommended that SSA determine why representative payees do not complete and return accounting reports and determine whether SSA staff are properly processing systems-generated alerts for payees who do not respond. We are pleased that SSA is currently proposing to conduct Quick Response checks when representative payees do not return these reports.

On-site Reviews of Representative Payees

On-site reviews are visits with the representative payee or the administrators of organizations and consist of an examination of the accounting records and interviews with beneficiaries to determine if their needs are being met and/or if they are experiencing any problems. While these reviews may not uncover all instances of representative payee abuse, we believe these reviews will provide a deterrent effect for those who may be prone to commit this type of fraud, especially of those representative payees who do not submit the annual accounting form.

Our March 1997 report made several recommendations to improve the efficiency and effectiveness of SSA's representative payee monitoring program. We included recommendations for SSA to conduct periodic reviews of selected payees and change the focus of the current process from accounting to monitoring and compliance. By focusing on compliance issues, SSA will learn in a timelier manner whether or not a problem exists. The Agency is embarking upon actions intended to address various aspects of its representative payee monitoring and oversight.

DISABILITY FRAUD

Our work in this area focuses on individuals who file false claims or program participants who defraud the program by making false statements or by overtly concealing factors that affect their initial or continuing eligibility or entitlement for payments. We have concentrated our efforts on reducing fraud in the disability programs SSA administers. The following is an overview of our accomplishments.

Disability – SSI Eligibility Project

OI partnered with SSA in a pilot project designed to determine the extent of violations concerning eligibility requirements for the SSI program. Staff mailed forms to a sample of recipients requesting information about continued eligibility, and if the questionnaires were not answered, we requested face-to-face interviews. Within a short amount of time, it became clear that individuals had given false information to SSA about their

residence status in order to make them eligible for SSI payments. In addition, we identified other individuals/families who after having been declared eligible for SSI returned to their country of origin and continued to receive SSI payments.

OA conducted a review, *The Adequacy of the Residency Verification Process for the Supplemental Security Income Program*, to determine the adequacy of the process used in the project. The review also determined if SSA provides the proper guidance to field offices to verify that recipients are U.S. residents. We recommended that SSA revise its procedures to provide for expanded residency development.

Because of the success of these investigations we collaborated with SSA's New York Regional Office, New York City, and New York State officials to identify SSI recipients who are obtaining payments illegally or contrary to regulations. Perhaps most importantly, we determined that this method could be used to identify both suspect SSI and Old-Age, Survivors and Disability Insurance claims at foreign sites and other U.S. locations.

Disability – Prisoners Receiving SSI Payments

In most instances, the Social Security Act prohibits SSI payments to individuals who are confined or reside in a public institution for a full calendar month. We conducted two audits involving payments that were made to prisoners.

The objective of the first audit, *Effectiveness in Obtaining Records to Identify Prisoners*, was to determine whether SSA had adequate procedures to obtain complete and timely information for individuals who were confined to correctional facilities. We found that SSA did not have the ability to identify all prisoners in detention and of those that were identified, they were not identified in a timely manner. We estimated that this cost SSA \$48.8 million in overpayments.

Another audit, *Effectiveness of the Social Security Administration's Procedures to Process Prisoner Information, Suspend Payments and Collect Overpayments*, demonstrated that even if SSA could obtain the records to identify prisoners, there was no mechanism in place to process the information in order to suspend the payments and collect overpayments.

Both reviews found that SSA needs to aggressively pursue computer matching agreements with Federal, State, and local prison authorities to receive prisoner information in a timely manner. This will enable SSA to suspend payments sooner and reduce the amount of overpayments the Agency needs to collect. Both reviews recommended that SSA seek congressional support and legislative remedies to lift restrictions on the computer matching agreements. As a result of these audits, SSA's Actuary estimated that \$3.4 billion dollars would be saved from 1997 – 2002.

The Welfare Reform Act amended title XVI of the Social Security Act to make a fleeing felon or a parole or probation violator ineligible to receive SSI. Armed with this new statute and coupled with our audit information, OI initiated the Fugitive Felon Project. This project identifies individuals illegally receiving SSI by conducting computer matches with the FBI, the U.S. Marshals Service, and State agencies. When OI Special Agents identify SSI recipients who are fugitives, SSA is notified, payments are stopped, and overpayments are calculated. During FYs 1998 through 2000, 22,746 fugitives were identified and 2,882 were apprehended, with \$39,807,521 of overpayments identified and estimated savings of \$69,800,699.

Disability – SSI High-Risk Area

The enactment of the Welfare Reform Act and the General Accounting Office's declaration of the SSI program as a high-risk area in February 1997, caused us to accelerate our audit efforts and develop additional strategies to prevent and detect fraud in this program. We conducted an audit to identify vulnerabilities in the disability determination process that subject the SSI Disability Program to abuse. We initiated an audit entitled, *Special Joint Vulnerability Review of the Supplemental Security Income Program*, after the Georgia State DDS notified SSA that it was concerned that four generations of a family of SSI recipients may have been coached to fake physical or mental disabilities in order to receive payments. Our recommendations included actions SSA needed to take regarding the monitoring of providers of examinations and a closer examination of the reports made by these providers.

One of the most significant actions that occurred as a result of this audit was the inception of the CDI pilot. This project partners OIG Special Agents with State DDS employees and local law enforcement entities to prevent and detect disability fraud primarily at the initial claim stage before benefits are paid. The CDI project relies on the combined skills and specialized knowledge of these individuals to combat disability fraud in their respective areas. The CDI units are expected to achieve this goal by assisting the local DDS to deny fraudulent applications, and by identifying doctors, lawyers, interpreters, and other service providers who facilitate and promote disability fraud. We conducted pilots in five cities: Georgia, Louisiana, California, New York, and Illinois; established three additional teams; and plan to establish three more by the beginning of FY 2001. The following chart summarizes the accomplishments of the project.

CDI Statistics				
	FY 1998	FY 1999	FY 2000	Totals
Allegations Received	518	1,098	1,841	3,457
Confirmed Fraud Cases	53	378	714	1145
SSA Recoveries & Restitution	\$41,508	\$362,739	\$346,873	\$751,120
SSA Savings*	\$2,855,250	\$20,366,102	\$39,631,627	\$62,852,979
Non-SSA Savings*	N/A	\$6,309,860	\$20,825,132	\$27,134,992

*SSA program savings are reported at a flat rate of \$66,500 for initial claims that are denied as a result of CDI investigations, using a formula developed by the Office of Disability. When a CDI investigation supports the cessation of an in-pay case, the SSA program savings are calculated by multiplying the actual monthly benefit times 60 months. Non-SSA savings are also projected over 60 months whenever another governmental program withholds benefits as a result of CDI investigations, using estimated or actual benefit amounts documented by the responsible agency.

ENUMERATION

SSN Misuse

Because SSN misuse can strike at the core of SSA's programs and operations, we knew that this would be a major workload for us. One of our first reports, issued as the new SSA OIG, dealt with the effectiveness of computer profiling to detect suspected fraudulent enumeration and claims activity. We have conducted other reviews that reveal some alarming trends and issues related to SSN misuse. We have recommended actions that we believe would strengthen SSA's enumeration process and help to prevent SSN misuse.

One of those reviews, *Using Social Security Numbers to Commit Fraud*, documented vulnerabilities in SSA's enumeration process and highlighted several SSN fraud cases, which our office investigated and referred to the Department of Justice for prosecution. In this report, we made three recommendations: 1) that SSA should incorporate preventive controls in its Modernized Enumeration System; 2) that SSA should require verification from the issuing State when an out-of-state birth certificate is presented as evidence for an SSN application; and 3) SSA should continue its efforts to have the Immigration and Naturalization Service and the State Department collect and verify enumeration information for aliens.

In a related report, *Analysis of Social Security Number Misuse Allegations Made to the Social Security Administration's Fraud Hotline*, we identified the different types of SSN misuse allegations and estimated the number of occurrences for each category during the period of our review. Our analysis showed that the sampled OIG Hotline allegations

could be placed in five categories: identity verification; sales solicitation; loss of SSN card; problems with the SSN; and identity theft. About 81 percent of the SSN misuse allegations the Hotline receives relate directly to identity theft.

In an effort to prevent program-related SSN misuse, we conducted work that considered the possibility of SSA using biometric technologies. The report, *The Social Security Administration is Pursuing Matching Agreements with New York and Other States Using Biometric Technologies*, outlined the possible benefits to SSA of pursuing matching agreements with States that have employed biometric technologies to combat fraud and identify ineligible recipients for social service programs. We believe that SSA could use the results of New York State's biometrics program to identify individuals who are improperly receiving benefits, thereby, reducing and/or recovering any improper benefit payments.

Enumeration and Earnings

Our work has demonstrated that there is a definite link between SSN misuse and the growth of SSA's Suspense File. In our audit report, *Patterns of Reporting Errors and Irregularities by 100 Employers with the Most Suspended Wage Items*, we determined which industries are more prone to having suspended wage items and provided recommendations to SSA on ways to curb this practice.

The SSN has become a universal identifier and is often required by government departments and commercial entities in order to receive services. Because of this, SSA provides nonwork SSNs to some resident aliens and foreign diplomats. Our audit, *Review of Controls over Nonwork Social Security Numbers*, found that SSA's policy of crediting nonwork SSNs with earnings for periods of unauthorized work has been, and will continue to be, very costly to SSA's Trust Fund unless it is changed. As of May 1998, unauthorized earnings associated with nonwork SSNs have cost SSA's Trust Fund an estimated \$287 million. If SSA continues to pay benefits to these individuals and/or their dependents, SSA may spend an additional \$63 million per year.

Identity Theft

SSN misuse includes identity theft, which has become such a critical concern that Congress passed the *Identity Theft and Assumption Deterrence Act of 1998*. This Act:

- 1) established identity theft as a felony;
- 2) referred to the SSN as a "means of identification"; and
- 3) designated the FTC as the clearinghouse for Identity Theft complaints.

In response to this legislation, we launched SSN misuse pilot projects in five cities across the Nation in FY 1999. In these pilots, our Special Agents work closely with Federal and State law enforcement agencies investigating matters referred by the FTC.

Collaborating with other law enforcement agencies allows us to have a greater impact with limited resources. It also allows us to work more closely with prosecutors on SSA program cases, which if presented separately, may not have been accepted for prosecution. U.S. Attorneys' Offices and Federal and State law enforcement agencies have enthusiastically welcomed these pilots and have applauded our office for taking the investigative lead.

In addition, OI launched an initiative with other Federal, State, and local law enforcement authorities specifically aimed at investigating the sale of fraudulent Social Security cards over the Internet. Using undercover purchases of Social Security cards, we determine which vendors of false identification documents are in fact producing such documents, and which are merely taking money and providing no product at all.

On the other side of the illicit SSN transaction, we recently launched another operation, targeted not at those who sell false identification documents over the Internet, but at those who buy them. This effort will serve two important purposes. First, it will enable us to locate and stop those who would make purchases of fraudulent Social Security cards that might be used in identity theft crimes. Second, it will enable us, for the first time, to get a true idea of both the scope of Internet trafficking in false identification documents and how false SSNs are used.

SYSTEMS ISSUES

Since all of SSA's business processes are linked to computer systems, we have invested a large amount of audit and investigative resources to ensure that SSA's systems are accurate, complete, and safe from unauthorized access.

In FY 1997, our audit work found major weaknesses in the internal controls of SSA's systems. The conditions we reported included: 1) protection of information 2) contingency planning; 3) development of software applications; 4) insufficient separation of duties; and 5) quality control activities. In FY 1998, we continued to report on the systemic weaknesses, which pervaded SSA's systems. In fact, we recommended that SSA report the lack of separation of duties and/or compensating controls where employees can enter and conceal errors or irregularities as a material weakness under the Federal Managers' Financial Information Act.

Our work concerning SSA's contingency planning efforts and back-up and recovery procedures revealed that fundamental improvements were needed to ensure compliance with Federal criteria. Because of the anxiety over the Year 2000 transition, we felt that SSA needed to address these issues immediately.

In response to Presidential Decision Directives 62 (Terrorism), 63 (Critical Infrastructure Protection), and 67 (Continuity of Government), OIG established the CID. CID is composed of both auditors and investigators. CID is working with SSA's System

Security Officers and representatives from SSA's National Computer Center to define and implement an intrusion response program that includes OIG notification and investigation, if warranted. As SSA moves into the future and embraces new technologies, special consideration must be given to protect the transmission, storage, and processing of this sensitive data from cyber and/or physical threats.

Since the lack of separation of duties makes SSA's systems vulnerable to employee fraud and since SSA is migrating to electronic service delivery, OI expanded its Electronic Crime Team to meet new challenges. We formed this team originally to conduct computer forensic examinations and added the responsibility to identify and address the exploitation of SSA systems and electronic services.

CONCLUSION

While this report highlights our accomplishments over the past 5 years, it does not reflect all the efforts of this office. We respond daily to the public, the media, and members of Congress. We are in continuous dialog with congressional committees that are seeking legislative remedies to strengthen SSA programs and to provide the investigative tools to prevent, identify, and deter criminal activity.

Below is an analysis that provides return on investment information for our office since its inception. These numbers are only one indicator of the successes of this office.

Fiscal Year	Budget Allocation	OIG Monetary Accomplishments	Return on Investment
1995*	\$10,300,000	\$38,970,360	4-1
1996	\$25,800,000	\$124,022,730	5-1
1997	\$37,400,000	\$767,463,244	20-1
1998	\$49,200,000	\$2,449,093,495	49-1
1999	\$56,000,000	\$817,661,342	14-1
2000	\$65,752,000	\$1,651,415,230	25-1

*Reflects data from April 1, 1995, through September 30, 1995.

Each component of this office is dedicated to advancing SSA's goal to make SSA program management the best in business, with zero tolerance for fraud and abuse. On March 31, 2000, we marked the 5th anniversary of an independent SSA/OIG. We strive and seek new ways to continuously improve SSA programs and operations.

COMPENDIUM OF VARIOUS OIG YEAR END STATISTICS

Office of the Inspector General Offices		
Fiscal Year	Number of Offices (Office of Audit)	Number of Offices (Office Of Investigations)
1995*	8 Field Offices	7 Field Divisions 17 Suboffices
1996	9 Field Offices	6 Field Divisions 21 Suboffices
1997	9 Field Offices	7 Field Divisions 32 Suboffices
1998	9 Field Offices	10 Field Divisions 37 Suboffices
1999	10 Field Offices	10 Field Divisions 40 Suboffices
2000	10 Field Offices	10 Field Divisions 45 Suboffices

*Reflects data from April 1, 1995, through September 30, 1995.

Investigative Accomplishments Since April 1, 1995					
Fiscal Year	Number of Allegations Received	Number of Cases Opened	Number of Cases Closed	Number of Convictions	Dollars Saved or Reported
1995*	2236	844	679	287	\$3,893,360
1996	4,106	1,354	1,042	570	\$22,768,372
1997	18,034	5,455	2,157	2,507	\$64,317,797
1998	31,090	6,291	5,448	2,762	\$94,224,575
1999	74,360	9,238	7,308	3,139	\$213,955,856
2000	92,847	8,262	8,051	2,604	\$282,352,560
TOTAL	222,673	31,444	24,685	11,869	\$681,512,520

*Reflects data from April 1, 1995, through September 30, 1995.

Audit and Evaluation Results Since April 1, 1995					
Fiscal Year	Number of Reports Issued	Questioned Costs	Funds Put to Better Use	Number of Recs.	Number of Recs. Implemented/ Closed
1995*	12	\$77,000	\$35,000,000	88	88
1996	32	\$363,358	\$100,891,000	72	57
1997	54	\$3,964,487	\$219,500,000	225	136
1998	56	\$14,661,078	\$2,080,207,842	166	107
1999	59	\$83,989,044	\$269,716,442	219	67
2000	65	\$76,991,654	\$236,508,945	181	57
Totals	278	\$180,046,621	\$2,941,824,229	951	512

*Reflects data from April 1, 1995, through September 30, 1995.

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